

BUCHANAN DISTRICT LIBRARY

FINANCIAL REPORT

June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name BUCHANAN DISTRICT LIBRARY		County BERRIEN	
Fiscal Year End JUNE 30, 2006		Opinion Date JULY 20, 2006		Date Audit Report Submitted to State August 17, 2006			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

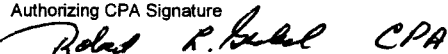
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Y

☒ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.			Telephone Number (269) 983-0534	
Street Address PO BOX 44, 830 PLEASANT ST.			City ST. JOSEPH	State MI
			Zip 49085	
Authorizing CPA Signature 		Printed Name ROBERT L. GERBEL		License Number 3953

BUCHANAN DISTRICT LIBRARY

FINANCIAL REPORT

June 30, 2006

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Management's Discussion and Analysis

Basic Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information. In the Basic Financial Statements information is included that presents two different views of the Buchanan District Library:

- The first column of the financial statements includes information on Buchanan District Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of Buchanan District Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method. (See Note 2)
- The Statement of Governmental Revenue, Expenditures and Changes in Fund Balance and Statement of Activities columns provide both long-term and short-term information about Buchanan District Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of Buchanan District Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The Basic Financial Statements also include Notes that explain some of the information in the financial statements and provide more detailed data.

The Required Supplementary Information section follows the Basic Financial Statements and further explains and supports the information in the financial statements.

Condensed Financial Information

The following financial information contains comparative information from the previous fiscal year in compliance with GASB 34.

	<u>2004/2005</u>	<u>2005/2006</u>
Current assets	\$ 202,428	\$ 187,140
Capital assets	<u>746,991</u>	<u>894,148</u>
Total assets	\$ 949,419	\$1,081,288
Long-term debt	\$ 400,000	\$ 463,287
Other liabilities	<u>58,653</u>	<u>99,681</u>
Total liabilities	\$ 458,653	\$ 562,968
Net assets:		
Invested in capital assets, net of debt	\$ 311,991	\$ 372,879
Unrestricted	<u>178,775</u>	<u>145,441</u>
Total net assets	\$ 490,766	\$ 518,320
Revenue:		
Property taxes	\$ 247,566	\$ 261,253
Other	<u>138,691</u>	<u>134,423</u>
Total revenue	\$ 386,257	\$ 395,676
Expenses:		
Library services	\$ 338,135	\$ 359,134
Loss on disposal of asset	<u>-</u>	<u>8,988</u>
Total expenses	\$ 338,135	\$ 368,122
Change in net assets	\$ 48,122	\$ 27,554

Buchanan District Library as a Whole

- Buchanan District Library's net assets increased by \$27,554 this year. Revenue increased 2% this year and expenses increased 9% making the change in net assets somewhat smaller than last year.
- Buchanan District Library's primary source of revenue is from property taxes, which represents 68% of total revenue. The second most important source of revenue comes from Library fines (including penal fines) which comprise 24% of total revenue. Penal fines are unpredictable and vary yearly depending on police activity and court costs. This year penal fines were down 6%. Interest income was up considerably due to changing accounts to achieve the optimum rate of return.
- Personnel expenses are a significant cost to Buchanan District Library, representing 51% of total expenditures. Fringe benefits increased somewhat and modest salary increases were made. An additional part-time staff position was added for the summer months to provide for increased Library usage.
- Depreciation expense represents 19% of Buchanan District Library's total expenditures due to compliance with the GASB34 standards.
- Debt service interest is 6% of total expenditures. Please see the schedule of future principal and interest payments in Note 6 of the Financial Statements for future payment amounts.
- Professional fees were incurred this year because of the need to use legal and financial services to obtain an installment loan for the purchase of an HVAC system.

Buchanan District Library's Fund

An analysis of Buchanan District Library's major fund is included in the Financial Statements in the first column of the respective statements. The fund column provides detailed information about the most significant fund – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. The Library's major fund consists solely of the General Fund.

The fund balance of the General Fund decreased during the current year by \$24,031. Included in the decrease is \$45,029 used towards the purchase of new HVAC equipment as discussed below. Personnel expenses are the largest use of resources for this fiscal year. This reflects the fact that Buchanan District Library is a service industry that relies on its staff to fulfill the mission of the organization.

Library Budgetary Highlights

The most significant event of the past fiscal year was the purchase and installation of new HVAC equipment. The Board of Trustees elected to borrow \$125,000 of the \$170,000 needed for this project. The remainder was financed using reserved funds. The Library was required to make this purchase because the heating was costing increasingly larger amounts due to inefficient use of fuel and repair costs and the air conditioning had ceased to work completely. The unit was over 40 years old and beyond repair.

Over the course of the year the Library Board amended the budget to take into account events that occurred during the year. The major amendments occurred in property tax income, interest income, donations, utilities, media, installment debt and personnel.

It is difficult to predict exact property tax collection amounts before the Headlee rollback fraction is known, so the budget was originally passed with estimates based on the previous year. As amounts became known, adjustments were made by budget amendment.

The Board Finance Committee recognized the need to investigate where money was being invested to obtain the best interest income possible. After research, most of the funds of the Buchanan District Library were placed in the account with United Federal Credit Union. This tripled the amount of interest income returned to the Library.

Donations were budgeted for much less than the actual amount received again because of the difficulty of predicting human behavior. Much of the library's donation funds depend on the death or relocation of area residents.

Utilities changes were a result of a warmer than anticipated winter and some repairs to the heating system to reduce gas consumption. It also was a result of limiting the amount of heat in the building. The upstairs and basement areas were closed off and pipes drained. The main floor area was kept at the lowest possible setting that allowed for comfort.

Media was budgeted at \$30,000 and the library expended close to that in the purchase of new media. However, because of the generosity of library patrons, many books, videos and CDs were donated to the library that were added to the collection. The additional value of these donations amounted to over \$14,000.

Because an installment loan was obtained in May, 2006, two installment debt payments were made in this fiscal year. This was not anticipated when the budget was set.

Buchanan District Library has been fortunate to have a large increase in the number of patrons using the library this year. However, this did necessitate the increase in part-time staff for the Circulation Desk.

Capital Assets and Debt Administration

At the end of the fiscal year, Buchanan District Library had \$1,171,277 invested in land, building, furniture and equipment, and books and materials (\$894,148 after depreciation). During the fiscal year Buchanan District Library added \$225,745 in capital assets and disposed of \$8,988, net of accumulated depreciation, by the removal of the old HVAC system.

Buchanan District Library's debt rating is excellent. Bonded indebtedness for Buchanan District Library totaled \$400,000 at June 30, 2006. An installment loan was obtained for \$125,000 and after two payments were made the balance as of June 30, 2006 was \$121,269. This loan is for a period of five years with monthly payments. Total long-term liabilities, including compensated absences, amount to \$531,414.

Future Operating Plans

The Library Board is investigating ways to reduce expenses while maintaining quality service for district residents. The major focus of the Buchanan District Library in the coming year will be on public relations. Because a renewal of the operating millage will be required in three years, it is necessary for the Buchanan District Library to proactively determine what patrons want for library services. It will also be necessary to convince the public that the Buchanan District Library provides these services at a reasonable cost to the taxpayers.

Reduction of debt will also be a goal of the Buchanan District Library Board. The Board continues to pursue efforts to utilize the second floor of the building especially if this would increase income and/or reduce expenses.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 20, 2006

To the Buchanan District Library
Buchanan, Michigan

We have audited the accompanying basic financial statements of the Buchanan District Library as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Buchanan District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Buchanan District Library as of June 30, 2006, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Required Supplemental Information presented on page 11 are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Gerbel & Company, P.C.

Right. On time.

BUCHANAN DISTRICT LIBRARY
Governmental Fund Balance Sheet
and Statement of Net Assets
June 30, 2006

	<u>General Fund</u> <u>Modified</u> <u>Accrual Basis</u>	<u>Adjustments</u> <u>Note 2</u>	<u>Statement of</u> <u>Net Assets, Full</u> <u>Accrual Basis</u>
Assets			
Cash and cash equivalents - NOTE 4	\$ 180,752	\$ -	\$ 180,752
Accounts receivable	6,388	-	6,388
Capital assets - NOTE 5	<u>-</u>	<u>894,148</u>	<u>894,148</u>
Total Assets	<u>\$ 187,140</u>	<u>\$ 894,148</u>	<u>\$ 1,081,288</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 19,334	\$ 9,949	\$ 29,283
Long-term liabilities - NOTE 6:			
Notes and bonds payable, due within one year	-	57,982	57,982
Accrued interest payable	-	3,271	3,271
Notes and bonds payable, due after one year	-	463,287	463,287
Accumulated employee benefits	<u>-</u>	<u>9,145</u>	<u>9,145</u>
Total Liabilities	<u>\$ 19,334</u>	<u>\$ 543,634</u>	<u>\$ 562,968</u>
Fund Balances/Net Assets			
Fund balance:			
Designated	\$ 1,501	\$ (1,501)	\$ -
Unreserved, undesignated	<u>166,305</u>	<u>(166,305)</u>	<u>-</u>
Total Fund Balance	<u>\$ 167,806</u>	<u>\$ (167,806)</u>	<u>\$ -</u>
Total Liabilities and Fund Balance	<u>\$ 187,140</u>	<u>\$ 375,828</u>	<u>\$ 562,968</u>
Net assets:			
Invested in capital assets - net of related debt		\$ 372,879	\$ 372,879
Unrestricted		<u>145,441</u>	<u>145,441</u>
Total Net Assets		<u>\$ 518,320</u>	<u>\$ 518,320</u>
Total Liabilities and Net Assets		<u>\$ 894,148</u>	<u>\$ 1,081,288</u>

The accompanying notes are an integral part of these financial statements.

BUCHANAN DISTRICT LIBRARY
Statement of Governmental Revenue, Expenditures,
and Changes in Fund Balance
Statement of Activities
Year Ended June 30, 2006

	General Fund Modified Accrual Basis	Adjustments Note 2	Statement of Activities, Full Accrual Basis
Revenue			
Property taxes	\$ 261,253	\$ -	\$ 261,253
Local grants	1,141	-	1,141
Interest income	6,831	-	6,831
State aid	7,074	-	7,074
Library fines	96,145	-	96,145
Contributions from other governmental units	1,000	-	1,000
Donations	15,972	-	15,972
Other revenue	6,260	-	6,260
	<u>395,676</u>	<u>-</u>	<u>395,676</u>
Total Revenue	\$ 395,676	\$ -	\$ 395,676
Expenditures			
Personnel	\$ 183,594	\$ 279	\$ 183,873
Audiovisual, books, and periodicals	46,767	(46,767)	-
Supplies	6,822	-	6,822
Maintenance and repairs	20,904	-	20,904
Utilities	30,026	-	30,026
Insurance	6,102	-	6,102
Professional fees	7,685	-	7,685
Community promotions	3,729	-	3,729
Depreciation	-	69,600	69,600
Debt service principal	38,731	(38,731)	-
Debt service interest	20,386	75	20,461
Miscellaneous	9,932	-	9,932
	<u>374,678</u>	<u>(15,544)</u>	<u>359,134</u>
Total Expenditures	\$ 374,678	\$ (15,544)	\$ 359,134
Excess of Revenue Over Expenditures	\$ 20,998	\$ 15,544	\$ 36,542
Other Financing Sources (Uses):			
Proceeds from debt	\$ 125,000	\$ (125,000)	\$ -
Capital expenditures	(170,029)	170,029	-
Loss on disposal of assets	-	(8,988)	(8,988)
	<u>(45,029)</u>	<u>36,041</u>	<u>(8,988)</u>
Total Other Financing Sources (Uses)	\$ (45,029)	\$ 36,041	\$ (8,988)
Net Change in Fund Balance. Net Assets	\$ (24,031)	\$ 51,585	\$ 27,554
Fund Balance/Net Assets - July 1, 2005	191,837	298,929	490,766
FUND BALANCE/NET ASSETS - JUNE 30, 2006	\$ 167,806	\$ 350,514	\$ 518,320

The accompanying notes are an integral part of these financial statements.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Buchanan District Library (The "Library") is located in the City of Buchanan, Michigan, and is governed by an appointed seven-member board. The Library is primarily funded through a tax levy, fines and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

The accounting policies of Buchanan District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund).

C. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using economic resources measurement focus as the basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

D. Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payments is due.

The Library reports only major governmental fund - the General Fund.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- Continued

E. Financial Statements Amounts

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Capital assets are defined by the Library as assets with initial cost of more than \$500 and an estimated life of more than one year, and all books are capitalized. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expenses as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	10 years
Library books - reference	10 years
Library books - hard cover	5 years
Library books - soft cover	3 years

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as long-term liability. In the fund financial statements, the repayment of debt principal is reported as an expenditure.

Property Tax Revenue - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2005 ad valorem tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Library totaled \$223.0 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which ad valorem taxes consisted of 1.1718 mills for operations and debt service. This resulted in revenue of \$261,253, recognized in the General Fund financial statements as tax revenue.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 2 - RECONCILIATION

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$	167,806
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds		894,148
--	--	---------

Compensated absences are included as a liability		(10,145)
--	--	----------

Interest payable is included as a liability		(3,271)
---	--	---------

Long-term liabilities are not due and payable in the current period and are not reported in the funds		(530,218)
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Total Net Assets - Full Accrual Basis	\$	<u>518,320</u>
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Net Change in Fund Balances - Modified Accrual Basis	\$	(24,031)
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Amounts reported in the statements of activities are different because:

General Fund reports capital outlay as expenditures in the statement of activities; these costs are allocated over their useful lives as depreciation:

Equipment		170,029
Library books, material, and equipment		46,767
Depreciation		(69,600)
Loss on disposal of asset		(8,988)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund financial statements		(279)
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Increase in interest expense due to interest payable		(75)
--	--	------

Proceeds from debt is a revenue on the fund statements		(125,000)
--	--	-----------

Principal payments on long-term liabilities is an expenditure on the fund statements		<u>38,731</u>
--	--	---------------

Change in Net Assets - Full Accrual Basis	\$	<u>27,554</u>
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BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 3 - BUDGET INFORMATION

The annual budget is prepared by the Library Treasurer and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpected appropriations lapse at year-end; encumbrance are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget had been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. The budget as adopted is presented in the required supplemental information, and includes expenditure budget overruns.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual	Actual Over Budget
Personnel	\$ 180,025	\$ 183,594	\$ 3,569
Audiovisual, books and periodicals	44,270	46,767	2,497
Maintenance and repairs	20,250	20,904	654
Professional fees	6,565	7,685	1,120
Miscellaneous	8,792	9,932	1,140
Debt payments	59,093	59,117	24
Capital expenditures	-	170,029	170,029

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits - State statute allows for the deposit of funds into financial institutions provided those institutions are a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in the State of Michigan under the laws of Michigan or the United States. The Library's funds were deposited in two financial institutions that meet these requirements. At year-end, the carrying amount of the Library's deposits was \$180,752 and the respective bank balances totaled \$184,083. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$14,437; \$100,000 was covered by the National Credit Union Administration and \$69,646 was covered by Excess Share Insurance (ESI).

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the Library's governmental activities was as follows:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Building	\$ 654,458	\$ 178,978	\$ 10,000	\$ 823,436
Furniture and equipment	63,002	-	-	63,002
Library books, periodicals, and videos	276,933	46,767	48,861	274,839
Total	\$ 994,393	\$ 225,745	\$ 58,861	\$ 1,161,277
Accumulated depreciation	257,402	69,600	49,873	277,129
Net Capital Assets, Beginning of Year	\$ 736,991	\$ 156,145	\$ 8,988	\$ 884,148
NET CAPITAL ASSETS, END OF YEAR	\$ 746,991	\$ 156,145	\$ 8,988	\$ 894,148

NOTE 6 - LONG-TERM LIABILITIES

Outstanding Debt

A summary of the debt outstanding of the Library at June 30, 2006, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 435,000	\$ -	\$ (35,000)	\$ 400,000	\$ 35,000
Installment loan:					
Chemical Bank	-	125,000	(3,731)	121,269	22,982
Other long-term liabilities:					
Compensated absences	9,866	279	-	10,145	1,000
Total	\$ 444,866	\$ 125,279	\$ (38,731)	\$ 531,414	\$ 58,982

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 6 - LONG-TERM LIABILITIES - Continued

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2006, (excluding employee benefits), including principal and interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 57,982	\$ 22,828	\$ 80,810
2008	59,035	20,410	79,445
2009	60,137	17,891	78,028
2010	66,289	15,269	81,558
2011	62,826	19,552	82,378
2012-2016	<u>215,000</u>	<u>31,490</u>	<u>246,490</u>
Total	<u>\$ 521,269</u>	<u>\$ 127,440</u>	<u>\$ 648,709</u>

Interest

Interest expense of the Library for the year ended June 30, 2006, approximated \$20,461.

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical benefit claims and property liability. The Library participates in the Michigan Municipal League risk pool for claims relating to worker's compensation and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past fiscal year.

The Michigan League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN

The Library contribute to the Municipal Employees' Retirement System (MERS), a cost-sharing multiple employer defined benefit position plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The system issues a publicly available financial report. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by a resolution of the Board of Trustees and requires a contribution from the employees of 5 percent of gross wages. The Library's actuarial required contribution is 5.66 percent of gross wages.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2006

NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN - Continued

The required valuation information has been omitted from these basic financial statements due to the fact that final information is not available. The Library's participation in this plan is new and final information is expected in the upcoming months.

NOTE 9 - FUND BALANCE DESIGNATION

The designated fund balance represents grant revenue received by the Library, but not spent for its intended purpose until after year-end.

BUCHANAN DISTRICT LIBRARY
Required Supplemental Information
General Fund - Budgetary Comparison Schedule
Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Amended Budget</u>
Revenue				
Property taxes	\$ 264,850	\$ 260,936	\$ 261,253	\$ 317
Library fines	95,700	96,269	96,145	(124)
State aid	4,109	7,784	7,074	(710)
Local grants	1,141	1,141	1,141	-
Interest income	2,500	6,086	6,831	745
Other revenue	7,970	7,106	6,260	(846)
Donations	4,750	16,000	15,972	(28)
Contributions from other governmental units	1,000	1,000	1,000	-
Total Revenues	<u>\$ 382,020</u>	<u>\$ 396,322</u>	<u>\$ 395,676</u>	<u>\$ (646)</u>
Expenditures				
Personnel	\$ 180,025	\$ 180,025	\$ 183,594	\$ (3,569)
Audiovisual, books, and periodicals	30,000	44,270	46,767	(2,497)
Supplies	7,437	6,850	6,822	28
Maintenance and repairs	17,250	20,250	20,904	(654)
Utilities	36,875	31,000	30,026	974
Insurance	5,427	6,102	6,102	-
Professional fees	6,415	6,565	7,685	(1,120)
Community promotions	4,000	4,000	3,729	271
Miscellaneous	8,770	8,792	9,932	(1,140)
Debt payments	54,433	59,093	59,117	(24)
Total Expenditures	<u>\$ 350,632</u>	<u>\$ 366,947</u>	<u>\$ 374,678</u>	<u>\$ (7,731)</u>
Excess of Revenue Over Expenditures	<u>\$ 31,388</u>	<u>\$ 29,375</u>	<u>\$ 20,998</u>	<u>\$ (8,377)</u>
Other Financing Sources (Uses):				
Proceeds from debt	\$ -	\$ -	\$ 125,000	\$ 125,000
Capital expenditures	-	-	(170,029)	(170,029)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,029)</u>	<u>\$ (45,029)</u>
Net Change in Fund Balance	<u>\$ 31,388</u>	<u>\$ 29,375</u>	<u>\$ (24,031)</u>	<u>\$ (53,406)</u>
Fund Balance, July 1, 2005	<u>191,837</u>	<u>191,837</u>	<u>191,837</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 223,225</u>	<u>\$ 221,212</u>	<u>\$ 167,806</u>	<u>\$ (53,406)</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 20, 2006

To the Library Board
Buchanan District Library
Buchanan, Michigan

In connection with our audit of the books and records of Buchanan District Library for the year ended June 30, 2006, we offer the following comments and recommendations:

1. When presenting the budget to the Library Board for adoption, the official format should include the following figures:
 - Most recently completed fiscal year
 - Current fiscal year
 - Ensuing fiscal year
2. Upon reviewing the Library Board meeting minutes, it was noted that some of the minutes were signed. Upon approval of the minutes by the Library Board, the Board Secretary should sign the official copy of the minutes to be bound in the record book. All previous minutes should be reviewed and any unsigned copies should be signed.
3. Currently the Library is not using the Uniform Chart of Accounts issued by the Department of Treasury. Although the accounts being used are adequate, the Library should consider adopting the Uniform Chart of Accounts.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the Buchanan District Library and trust that these suggestions will be received in the spirit of cooperation in which they are offered.

If we can be of any assistance in implementing these suggestions or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

Gerbel & Company, P.C.

GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

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